

## Message Text

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ACTION EUR-12

INFO OCT-01 IO-13 ISO-00 AID-05 CEA-01 CIAE-00 COME-00  
EB-08 FRB-03 INR-07 NSAE-00 SP-02 STR-04 TRSE-00  
LAB-04 SIL-01 OMB-01 AGRE-00 /062 W  
-----090051 112054Z /73

R 111016Z AUG 77  
FM AMEMBASSY BRUSSELS  
TO SECSTATE WASHDC 1336  
INFO ALL EC CAPITALS  
AMEMBASSY HELSINKI  
AMEMBASSY OSLO  
AMEMBASSY STOCKHOLM  
USMISSION GENEVA

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USEEC

GENEVA ALSO FOR MTN  
PARIS ALSO FOR OECD

E.O. 11652: N/A  
TAGS: EEC, ETRD, EGEN, EIND  
SUBJECT: EC PAPER INDUSTRY PRESENTS CASE FOR PROTECTION

1. THE EUROPEAN CONFEDERATION OF PULP, PAPER AND BOARD INDUSTRIES (CEPAC) HAS SENT THE EC COMMISSION AND COUNCIL A MEMORANDUM ON THE STATE OF THE INDUSTRY WHICH RECOMMENDS AN EC-WIDE INDUSTRIAL POLICY FOR THE PAPER INDUSTRY. ACCORDING TO CEPAC THERE ARE THREE MAIN AREAS OF DIFFICULTY FACING THE PULP AND PAPER INDUSTRY: COMPETITION FROM THIRD-COUNTRY PRODUCERS, RAW MATERIALS SUPPLY, AND PROBLEMS STEMMING FROM THE NATURE OF INVESTMENT IN THE INDUSTRY.

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2. CEPAC CLAIMS THAT HIGH LABOR COSTS, SLOW CONSUMPTION GROWTH, AND DECREASING PRODUCTIVITY OF CAPITAL ARE PLACING THE EEC INDUSTRY IN AN INCREASINGLY UNFAVORABLE POSITION RELATIVE TO OTHER MAJOR PRODUCERS AND CALLS FOR THE FOLLOWING REMEDIAL MEASURES:

-- MORE EQUITABLE RECIPROCAL CONCESSIONS, IN NEGOTIATING

TRADE AGREEMENTS, THAN HAS BEEN THE CASE SO FAR;

-- MORE OBJECTIVE AND MORE EVEN IMPLEMENTATION OF THE  
EXISTING AGREEMENTS; AND,

-- LESS FREE TRADE CONCESSIONS TO OTHER INDUSTRIALIZED  
COUNTRIES (INCLUDING STATE-CONTROLLED) AND THE MORE  
DEVELOPED OF THE LDCS.

3. THE CEPAC MEMO OPPOSES NEW MULTILATERAL CONCESSIONS  
AND CALLS ON THE COMMISSION AND COUNCIL TO ADMIT THAT  
THE MISSION OF GATT IS REALLY ONLY TO ENFORCE RESPECT  
FOR EXISTING TRADE CONCESSIONS. CEPAC URGES THE  
COMMISSION TO ESTABLISH FIRMER QUOTAS AND IMPORT CEILINGS  
FOR EFTA COUNTRIES AND SPAIN, WHICH IT FEELS ARE GUILTY  
OF IMPORT IRREGULARITIES, AND TO TAKE ACTION AGAINST THE  
POLITICAL PRICING OF EXPORTS BY STATE-CONTROLLED ECONO-  
MIES. (THE EEC HAS A QUOTA AGREEMENT UNTIL 1984 WITH  
EFTA ON PAPER WHICH IS EXCLUDED FROM THE GENERAL  
EEC/EFTA FREE TRADE AGREEMENT AS A SENSITIVE PRODUCT.  
A COMMISSION STAFF MEMBER HAS TOLD MISSION THAT  
COMMISSION HAS BEEN LAX IN ALLOWING IMPORTS IN EXCESS  
OF QUOTAS, AND THAT MEMBER STATES HAVE ALSO BEEN LAX  
IN IMPORT SURVEILLANCE, RESULTING IN UNDERREPORTING OF  
IMPORT LEVELS.)

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4. THE SECOND AREA OF CONCERN TO CEPAC IS ITS LARGE  
DEPENDENCE ON RAW MATERIALS, ESPECIALLY PULP. THE  
CEPAC MEMO URGES THE COUNCIL TO ADOPT COMMISSION  
PROPOSALS ON FORESTRY MEASURES AND R AND D IN THE FIELD  
OF RECYCLING OF PAPER AND BOARD.

5. ON THE QUESTION OF INVESTMENT PROBLEMS, THE COM-  
MUNICATION POINTS OUT THAT THE INDUSTRY IS CAPITAL  
INTENSIVE, ENERGY INTENSIVE, AND HEAVILY POLLUTANT.  
THIS HAS CREATED SEVERE FINANCIAL BURDENS AND DISTORTED  
COMPETITION WITHIN THE COMMUNITY AS WELL AS WITH  
NON-EC PRODUCERS. CEPAC CONSIDERS THAT A COMMUNITY  
STRATEGY FOR THIS INDUSTRY MUST INCLUDE AID MEASURES  
TO OFFSET THE NECESSARY ENERGY-SAVING AND POLLUTION-  
REDUCING STEPS TAKEN BY INDUSTRY.

6. ACCORDING TO COMMISSION STAFF OFFICIALS, LIKELY  
COMMISSION ACTION IN RESPONSE TO CEPAC MEMO WILL BE  
TO TIGHTEN UP IMPLEMENTATION OF AGREEMENTS WITH EFTA  
AND TO WORK ON PIECEMEAL BASIS FOR APPROVAL OF  
SPECIFIC SECTORAL MEASURES SUCH AS RECYCLING AND  
REFORESTATION. OFFICIAL EXCLUDED POSSIBILITY OF

GENERAL SECTORAL PROGRAM OF SORT DESIRED BY CEPAC BECAUSE THERE IS INSUFFICIENT ENTHUSIASM AT COUNCIL LEVEL. MEMBER STATES MAKE NICE SOUNDS ABOUT COMMISSION IDEAS, BUT END UP DOING LITTLE. FURTHER COMPLICATION IS INTRODUCED BY FACT THAT SIGNIFICANT PART OF EC PAPER INDUSTRY IS OWNED BY SWEDISH FIRMS.

7. COMMENT: WHILE SEVERAL EC INDUSTRIES SHARE CEPAC'S VIEW OF MTN AND HAVE TOLD COMMISSION SO INFORMALLY, THIS IS FIRST INSTANCE THAT AN INDUSTRIAL GROUP HAS CHOSEN TO EXPRESS SUCH A VIEW IN PUBLIC STATEMENT ADDRESSED TO COMMISSION.

8. COPY OF MEMO BEING POUCHED TO EUR/RPE - CASEY  
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AND EB/OTA - DUNCAN. HINTON

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NNN

## Message Attributes

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**Channel Indicators:** n/a  
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**Review Markings:**  
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